

CITY OF GROTON  
GROTON, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2013  
WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

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FOR THE TWO YEARS ENDING DECEMBER 31, 2013

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NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

# INDEPENDENT AUDIT SERVICES, PC

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Governing Board  
City of Groton  
Groton, South Dakota

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Groton (City), Brown County, South Dakota, as of December 31, 2013 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in note 1.c; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

*Unmodified Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Groton, South Dakota, as of December 31, 2013, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended, in accordance with the modified cash basis of accounting described in note 1.c to these financial statements.

*Emphasis of Matter - Modified Cash Basis of Accounting*

I draw attention to note 1.c of these financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

*Other Matters - Other Supplementary Information (No Opinion)*

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Groton's financial statements. The management's discussion and analysis (page 4 to 10) and the budgetary comparison schedules (page 37 and 41) are presented for purposes of additional analysis and are not a required part of the modified cash basis of accounting financial statements.

I have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the formation and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Matters - Other Supplementary Information (Opinion)*

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Groton's financial statements.

The schedule of changes in long-term debt (page 42 to 45) and the schedule of applicable loan coverage (page 46) are presented for the purpose of additional analysis and are not a required part of the modified cash basis of accounting financial statements of the City of Groton.

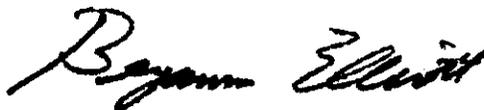
The schedule of changes in long-term debt and the schedule of applicable loan coverage are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the schedule of changes in long-term debt and the schedule of applicable loan coverage are fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report (page 47) dated October 14, 2014 on my tests of City of Groton's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive style with a large initial "B" and "E".

October 14, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the City of Groton's (City) financial performance provides an overview of the City's financial activities for the two years ending December 31, 2013, within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS	2013	2012
Receipts:		
Charges for goods and services	2,682,142	2,739,877
Operating grants	84,998	68,033
Capital grants, contributions	15,250	444,317
General receipts	1,349,108	1,306,617
Loan proceeds		549,240
Contribution from property owners	240,000	
	-----	-----
Total	4,371,498	5,108,084
	-----	-----
Disbursements:		
Governmental	2,795,320	3,102,916
Business-type	1,924,655	2,109,122
	-----	-----
Total	4,719,975	5,212,038
	-----	-----
(Decrease) in Net Position	(348,477)	(103,954)
Net Position:		
December 31, 2011		1,165,767
		-----
December 31, 2012	1,061,813	1,061,813
	-----	=====
December 31, 2013	713,336	
	=====	
Governmental Funds:		
General	182,144	75,978
3rd Cent	8,162	8,717
Airport	166	21,500
Debt Service	328,481	292,629
West Ditch Drainage Project	0	6,750
2013 C&G Capital Project	0	0
Cemetery Perpetual Care	32,887	32,887
Business-Type Funds:		
Water	84,349	106,020
Electric	62,726	421,730
Sewer	6,667	89,010
Solid Waste	7,754	6,592
	-----	-----
Total	713,336	1,061,813
	=====	=====

During the year ending December 31, 2013, the City:

- \* Received contributions from property owners of \$240,000 for new curbs and gutters which cost \$242,608 on streets that their property fronts.
- \* Received a grant of \$15,250 from the James River Water Development District for the west ditch drainage project which cost \$22,000.
- \* Made street improvements of \$638,946, storm sewer improvements of \$135,752, and sidewalk improvements of \$10,175.
- \* Paid down 16 existing loans by \$418,017. The City is current on all loans. See also page 42 to 46.

During the year ending December 31, 2012, the City:

- \* Entered into a \$300,000 lease/purchase agreement to acquire two Model Liquid 5000/6250 electric transformers.
- \* Received State Revolving Loan proceeds of \$249,240 for sewer lift station and force main improvements.
- \* Received a federal grant of \$120,887 and a state grant of \$20,501 for sewer improvement work done in a prior year.
- \* Received the remainder of federal water meter replacement grant of \$43,784 for work done in a prior year.
- \* Received a grant of \$4,750 from the James River Water Development District and donations of \$11,500 for the west ditch drainage project which cost \$9,500.
- \* Received a Community Access grant of \$250,000 from the state and made street improvements of \$1,406,826.
- \* Purchased a 2012 Tahoe police car for \$36,443 and a 3/4 ton Ford pick-up for \$21,812.
- \* Paid down 16 existing loans by \$362,207. The City is current on all loans. See also page 42 to 46.

#### BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 4 to 10) as supplementary information, (2) the basic financial statements (page 11 to 36) and (3) additional supplementary information (page 37 to 46). The basic financial statements include two types of statements that present the City from two different financial points of view.

#### Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

#### Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental, enterprise, and fiduciary activities of the City.

The governmental fund financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the City during 2012 and 2013 are the general, 3rd cent, airport, debt service, cemetery perpetual care, and two capital project funds.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the City that operate like a business. Enterprise funds operated by the City are the water, electric, sewer, and solid waste funds.

The fiduciary fund financial statements provide information about the financial status of activities in which the City acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. In 2012 and 2013 the City operated several agency funds for payroll tax purposes and one private-purpose trust fund for family crisis needs.

The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of supplementary information that presents (1) a budgetary analysis for the general fund and major special revenue funds, (2) a schedule of long-term debt, and (3) a schedule of applicable loan coverage.



## BASIS OF ACCOUNTING

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions. As a result of the use of the modified cash basis of accounting, certain assets (such as inventory and capital assets), liabilities (such as accounts payable and long-term debt) and expenses (such as depreciation) are not recorded in these financial statements. Therefore, when reviewing the financial information presented in this report, the reader should keep in mind the limitations resulting from the use of this modified cash basis of accounting.

## GOVERNMENT-WIDE STATEMENTS

(Reporting on the City as a whole)

The government-wide statements (page 11 to 13) report information about the City as a whole using modified cash accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's cash, certificates of deposit and investments. The statement of activities includes all of the year's receipts and disbursements.

The two government-wide statements report the City's net position and how it has changed. Net position is the City's petty cash, checking accounts, savings accounts, certificates of deposit, and investments (if any). The change in these accounts is one way to measure the City's financial health. Increases or decreases in net position measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the property tax base, and/or sales tax receipts generated from local businesses.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include operation of the government such and City Council, public safety, streets and highway, snow removal, and recreational programs. Property taxes, sales taxes, revenue from the state, user fees and interest earnings finance most of these activities.

Business-type activities account for the City's water, electric, sewer, and solid waste operations. These operations are financed mostly by user fees.

## FUND FINANCIAL STATEMENTS

(Reporting on the City's most significant funds)

The fund financial statements (page 14 to 24) provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools used to keep track of the City's receipts and disbursements. State law requires the use of some funds and the City Council establishes other funds to manage money for a specific purpose, like a curb and gutter capital project.

The fund financial statements show information in three broad categories: governmental, enterprise, and fiduciary.

Governmental funds: Most of the City's basic services are included in the governmental funds, which focus on (1) how cash flows in and out of that fund, and (2) cash balances left at year-end which are available for spending in the next year. The governmental funds financial statements provide detail that helps you determine whether there is more or fewer cash resources available for spending in the near future to finance City programs.

Enterprise funds: Services for which the City charges the customer a fee are generally reported in enterprise funds. These funds account for cash and the receipt and disbursement of cash, the same as the governmental funds. The water, electric, sewer and solid waste funds are the only enterprise funds maintained by the City.

Fiduciary funds: The City is the agent (or fiduciary) for various internal and external parties. As such, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statements of fiduciary net position and statement of changes in fiduciary net position. Fiduciary funds are excluded from the City's government-wide financial statements because the City can not use these assets to finance City's operations. At December 31, 2013 the City had several fiduciary (agency) funds for payroll activities and one private-purpose trust fund to support family crisis activity.

**MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

Year Ending December 31, 2013

(Material changes for governmental activities = changes greater than \$100,000)  
 (Material changes for business-type activities = changes greater than \$150,000)

	Increase (Decrease)	Reason
<b>Governmental Activities:</b>		
Cash	113,000	Excess of receipts over disbursements.
Capital grants	(240,000)	One time Community Access grant of \$250,000 in 2012.
Public works	(335,000)	Significant street improvements were done in 2012.
<b>Business-type Activities:</b>		
Cash	(462,000)	Excess of disbursements over receipts.
Capital grants	(190,000)	No capital grants in 2013.
Electric cost	(177,000)	Lease/purchased two electric transformers in 2012.

Year Ending December 31, 2012

(Material changes for governmental activities = changes greater than \$100,000)  
 (Material changes for business-type activities = changes greater than \$150,000)

	Increase (Decrease)	Reason
<b>Governmental Activities:</b>		
Cash	(180,000)	Excess of disbursements over receipts.
Charges for services	147,000	One time direct recovery of street work costs from Groton Area Schools of \$150,340.
Capital grants	255,000	One time Community Access grant of \$250,000 received in 2012.
Taxes	101,000	Normal increase in property and sales taxes.
Public works	1,433,000	Significant street improvements were done in 2012.
Transfers in	750,000	Increase in transfers from enterprise funds to off-set street improvement costs.
<b>Business-type Activities:</b>		
Electric cost	176,000	Lease/purchased two electric transformers in 2012.
Sewer cost	(515,000)	Significant sewer improvements were done in 2011.
Transfers out	(750,000)	Increase in transfers from enterprise funds to off-set street improvement costs.

## SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2013 the City's general fund budget of \$2,556,520 is an decrease of \$527,470 or 17.11% from 2012. The largest decrease was for streets (\$426,310). There was one supplemental appropriation to the general fund budget of \$120,820. See page 37 for more information.

In 2012 the City's general fund budget of \$3,083,990 is an increase of \$1,287,930 or 71.71% from 2011. The largest increase was for streets (\$1,352,660). There was one supplemental appropriation to the general fund budget of \$597,410. See page 38 for more information.

## SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above. The City's financial statements are on the modified cash basis of accounting which does not include capital assets.

## SIGNIFICANT LONG-TERM DEBT ACTIVITY

Significant long-term debt activity is reported above. The City is current on all long-term debt. See page 42 to 46 for more information.

## CURRENTLY KNOWN FACTS

In 2014 the City stopped paying liquor invoices for local establishments and then being reimbursed for those invoices by the establishments. Now the City just bills each establishments for the City's required markup. This reduces the City's cash activity by some \$200,000 each year.

In January 2014 the City purchased a Skid Loader for \$44,386.

In February 2014 the City awarded a street chip seal contract for \$104,896.

In March 2014 the City awarded a West Street reconstruction and curb and gutter contract for \$1,274,050. The City received contributions from property owners of \$250,000 for the curb and gutter portion of this contract.

In March 2014 the City sold an electric transformer for \$56,000 and a bucket truck for \$12,100.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Groton's business office at P.O. Box 587, Groton, SD 57445 or call 605.397.8422.

## CITY OF GROTON

TABLE 1 - NET POSITION (condensed and in thousands)  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
 AS OF DECEMBER 31, 2013, 2012 AND 2011

	Governmental Activities			Business-Type Activities			Total Government		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
<b>Assets:</b>									
Cash	552	439	619	161	623	547	713	1,062	1,166
<b>Total assets</b>	<b>552</b>	<b>439</b>	<b>619</b>	<b>161</b>	<b>623</b>	<b>547</b>	<b>713</b>	<b>1,062</b>	<b>1,166</b>
<b>Net position:</b>									
Restricted	381	354	399	71	68	55	452	422	454
Unrestricted	171	85	220	90	555	492	261	640	712
<b>Total net position</b>	<b>552</b>	<b>439</b>	<b>619</b>	<b>161</b>	<b>623</b>	<b>547</b>	<b>713</b>	<b>1,062</b>	<b>1,166</b>

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 FOR THE THREE FISCAL YEARS ENDING DECEMBER 31, 2013

	Governmental Activities			Business-Type Activities			Total Government		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
<b>Receipts:</b>									
<b>Program receipts:</b>									
Charges for services	274	360	213	2,408	2,380	2,450	2,682	2,740	2,663
Operating grants and contri.	83	66	95	1	2		84	68	95
Capital grants and contri.	15	255			190	147	15	445	147
<b>General receipts:</b>									
Receipts from taxes	1,173	1,160	1,059				1,173	1,160	1,059
Receipts from state sources	60	57	48				60	57	48
Receipts from county sources	2	3	2				2	3	2
Interest received	27	26	29		1		27	27	29
Rents	26	24					26	24	0
Donations	34	24	13				34	24	13
Other general receipts	6	8	13	21	3	25	27	11	38
<b>Total receipts</b>	<b>1,700</b>	<b>1,983</b>	<b>1,472</b>	<b>2,430</b>	<b>2,576</b>	<b>2,622</b>	<b>4,130</b>	<b>4,559</b>	<b>4,094</b>
<b>Disbursements:</b>									
General government	309	312	287				309	312	287
Public safety	327	337	319				327	337	319
Public works	1,575	1,910	477				1,575	1,910	477
Health and welfare	2		1				2	0	1
Culture and recreation	179	157	128				179	157	128
Economic development	2	3	3				2	3	3
Debt service	401	384	411				401	384	411
Water				237	232	260	237	232	260
Electric				1,398	1,575	1,399	1,398	1,575	1,399
Sewer				193	230	745	193	230	745
Airport						19	0	0	19
Solid waste				96	72	64	96	72	64
<b>Total disbursements</b>	<b>2,795</b>	<b>3,103</b>	<b>1,626</b>	<b>1,924</b>	<b>2,109</b>	<b>2,487</b>	<b>4,719</b>	<b>5,212</b>	<b>4,113</b>
<b>Excess of receipts over (under) disbursements</b>	<b>(1,095)</b>	<b>(1,120)</b>	<b>(154)</b>	<b>506</b>	<b>467</b>	<b>135</b>	<b>(589)</b>	<b>(653)</b>	<b>(19)</b>
<b>Transfers</b>	<b>968</b>	<b>925</b>	<b>175</b>	<b>(968)</b>	<b>(925)</b>	<b>(175)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan proceeds</b>	<b>240</b>				<b>549</b>	<b>328</b>	<b>240</b>	<b>549</b>	<b>328</b>
<b>Change in net position</b>	<b>113</b>	<b>(195)</b>	<b>21</b>	<b>(462)</b>	<b>91</b>	<b>288</b>	<b>(349)</b>	<b>(104)</b>	<b>309</b>
<b>Net position:</b>									
December 31, 2010			598			259			857
December 31, 2011		619	619		547	547		1,166	1,166
Reclassify airport fund		15			(15)			0	
December 31, 2012	439	439		623	623		1,062	1,062	
December 31, 2013	552			161			713		

CITY OF GROTON

GOVERNMENT-WIDE

STATEMENT OF NET POSITION -- MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2013

	Primary Government		
	Governmental	Business-	Total
	Activities	Type	
	Activities	Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	117,810	146,014	263,824
Certificates of deposit	63,000		63,000
Restricted assets:			
Cash and cash equivalents	336,653	15,482	352,135
Certificates of deposit	34,377		34,377
<b>Total assets</b>	<b>551,840</b>	<b>161,496</b>	<b>713,336</b>
	=====	=====	=====
<b>Net Position:</b>			
Restricted:			
Non-expendable:			
Perpetual care	32,887		32,887
Baseball uniform trust	1,500		1,500
Expendable:			
Capital projects	0		0
Debt service	328,481	15,482	343,963
3rd cent	8,162		8,162
Held for others	9,460	55,805	65,265
Unrestricted	171,350	90,209	261,559
<b>Total net position</b>	<b>551,840</b>	<b>161,496</b>	<b>713,336</b>
	=====	=====	=====

See accompanying notes.

CITY OF GROTON

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES  
 MODIFIED CASH BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2013

Functions/Programs:	Disbursements	Program Receipts			Changes in Net Position		
		Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	308,951	13,077			(295,874)		(295,874)
Public safety	326,642	918	83,498		(242,226)		(242,226)
Public works	1,574,618	183,075		15,250	(1,376,293)		(1,376,293)
Health and welfare	2,165				(2,165)		(2,165)
Culture and recreation	179,001	66,903			(112,098)		(112,098)
Economic development	2,403				(2,403)		(2,403)
Liquor operations	35	10,076			10,041		10,041
Debt service	401,505				(401,505)		(401,505)
<b>Total governmental activities</b>	<b>2,795,320</b>	<b>274,049</b>	<b>83,498</b>	<b>15,250</b>	<b>(2,422,523)</b>	<b>0</b>	<b>(2,422,523)</b>
<b>Business-type activities:</b>							
Water	237,135	315,370				78,235	78,235
Electric	1,398,404	1,801,525	1,500			404,621	404,621
Sewer	192,948	211,568				18,620	18,620
Solid waste	96,168	79,630				(16,538)	(16,538)
<b>Total business-type activities</b>	<b>1,924,655</b>	<b>2,408,093</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>484,938</b>	<b>484,938</b>
<b>Total primary government</b>	<b>4,719,975</b>	<b>2,682,142</b>	<b>84,998</b>	<b>15,250</b>	<b>(2,422,523)</b>	<b>484,938</b>	<b>(1,937,585)</b>
<b>General receipts:</b>							
<b>Taxes:</b>							
Property taxes					607,509		607,509
Sales taxes					565,588		565,588
State shared receipts					59,591		59,591
County shared receipts					1,919		1,919
Interest received					27,112	242	27,354
Rent and franchise fee					25,823		25,823
Donations					34,097		34,097
Sale of surplus property					3,932	20,964	24,896
Miscellaneous receipts					2,331		2,331
Contribution from property owners					240,000		240,000
Transfers					968,000	(968,000)	0
<b>Total general receipts and transfers</b>					<b>2,535,902</b>	<b>(946,794)</b>	<b>1,589,108</b>
<b>Change in net position</b>					<b>113,379</b>	<b>(461,856)</b>	<b>(348,477)</b>
<b>Net position:</b>							
January 1, 2013					438,461	623,352	1,061,813
December 31, 2013					551,840	161,496	713,336

See accompanying notes.

CITY OF GROTON

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES  
 MODIFIED CASH BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2012

Functions/Programs:	Disbursements	Program Receipts			Changes in Net Position		
		Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	311,558	14,630			(296,928)		(296,928)
Public safety	336,940	903	66,033		(270,004)		(270,004)
Public works	1,909,681	256,439		254,750	(1,398,492)		(1,398,492)
Health and welfare	14				(14)		(14)
Culture and recreation	157,264	75,839			(81,425)		(81,425)
Economic development	3,030				(3,030)		(3,030)
Liquor operations	690	11,711			11,021		11,021
Debt service	383,739				(383,739)		(383,739)
Total governmental activities	3,102,916	359,522	66,033	254,750	(2,422,611)	0	(2,422,611)
Business-type activities:							
Water	232,453	324,121		44,828		136,496	136,496
Electric	1,574,562	1,770,757	2,000			198,195	198,195
Sewer	230,334	211,449		144,739		125,854	125,854
Solid waste	71,773	74,028				2,255	2,255
Total business-type activities	2,109,122	2,380,355	2,000	189,567	0	462,800	462,800
Total primary government	<u>5,212,038</u>	<u>2,739,877</u>	<u>68,033</u>	<u>444,317</u>	<u>(2,422,611)</u>	<u>462,800</u>	<u>(1,959,811)</u>
General receipts:							
Taxes:							
Property taxes							
					592,305		592,305
Sales taxes							
					567,538		567,538
State shared receipts							
					56,776		56,776
County shared receipts							
					3,201		3,201
Interest received							
					26,132	790	26,922
Rent and franchise fee							
					24,038		24,038
Donations							
					24,645		24,645
Sale of surplus property							
						3,401	3,401
Miscellaneous receipts							
					7,791		7,791
Borrower bond proceeds							
						249,240	249,240
Capital lease proceeds							
						300,000	300,000
Transfers							
					925,300	(925,300)	0
Total general receipts and transfers							
					<u>2,227,726</u>	<u>(371,869)</u>	<u>1,855,857</u>
Change in net position							
					(194,885)	90,931	(103,954)
Net position:							
January 1, 2012							
					618,712	547,055	1,165,767
Reclassify airport fund							
					14,634	(14,634)	0
January 1, 2012, adjusted							
					<u>633,346</u>	<u>532,421</u>	<u>1,165,767</u>
December 31, 2012							
					<u>438,461</u>	<u>623,352</u>	<u>1,061,813</u>

See accompanying notes.

CITY OF GROTON

BALANCE SHEET -- MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 AS OF DECEMBER 31, 2013

	General Fund	3rd Cent Fund	Airport Fund	Debt Service Fund	West Ditch Drainage Project Fund	2013 C&G Capital Project Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
<b>Assets:</b>								
<b>Current assets:</b>								
Cash and cash equivalents	117,644		166					117,810
Certificates of deposit	63,000							63,000
<b>Restricted assets:</b>								
Cash and cash equivalents		8,162		328,481	0	0	10	336,653
Certificates of deposit	1,500						32,877	34,377
<b>Total assets</b>	<b>182,144</b>	<b>8,162</b>	<b>166</b>	<b>328,481</b>	<b>0</b>	<b>0</b>	<b>32,887</b>	<b>551,840</b>
<b>Fund Balances:</b>								
Nonspendable	1,500						32,887	34,387
Restricted	9,460	8,162		328,481	0	0		346,103
Committed			166					166
Assigned	63,000							63,000
Unassigned	108,184							108,184
<b>Total fund balances</b>	<b>182,144</b>	<b>8,162</b>	<b>166</b>	<b>328,481</b>	<b>0</b>	<b>0</b>	<b>32,887</b>	<b>551,840 *</b>

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\* Total net position on government-wide statement of net position

See accompanying notes.

City of GROTON  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
 IN FUND BALANCES -- GOVERNMENTAL FUNDS -- MODIFIED CASH BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2013

	General Fund	3rd Cent Fund	Airport Fund	Debt Service Fund	West Ditch Drainage Project Fund	2013 C&G Capital Improvement Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
<b>Receipts:</b>								
Receipts from local sources:								
Taxes:								
Ad valorem taxes	607,509							607,509
Sales and use taxes	544,081	21,507						565,588
Amusement tax	108							108
Licenses and permits:	11,691							11,691
Intergovernmental receipts:								
Federal grants	65,695							65,695
State shared receipts:								
State grant - public safety	17,803							17,803
Bank franchise tax	1,872							1,872
Motor vehicle comm prorated	3,038							3,038
Liquor tax reversion	8,731							8,731
Motor vehicle licenses (5%)	16,506							16,506
Local highway & bridge	29,444							29,444
County shared receipts: road taxes	1,919							1,919
James River Water Dev District					15,250			15,250
Charges for goods and services:								
General government	844							844
Public safety	918							918
Highways and streets	45,736							45,736
Cemetery	2,975							2,975
Parks and recreation	66,903							66,903
Fines and forfeits:	542							542
Other sources:								
Interest received	7,040	3	9	20,060				27,112
Rents			25,823					25,823
Donations	34,097							34,097
Special assessments				134,364				134,364
Liquor operating agreement	10,076							10,076
Other	2,223							2,223
<b>Total receipts</b>	<b>1,479,751</b>	<b>21,510</b>	<b>25,832</b>	<b>154,424</b>	<b>15,250</b>	<b>0</b>	<b>0</b>	<b>1,696,767</b>
<b>Disbursements:</b>								
General government:								
Mayor and Council	18,199							18,199
Elections	960							960
Financial administration	263,233							263,233
Other	26,559							26,559
Public safety:								
Police	326,567							326,567
Other	75							75
Public works:								
Highways and streets	490,224							490,224
Airport			18,166					18,166
Cemetery	14,102							14,102
Transit	2,645							2,645
Health and welfare:								
Health	2,165							2,165
Culture and recreation:								
Recreation	97,067	22,065						119,132
Parks	51,288							51,288
Library	643							643
Community center	7,938							7,938
Economic development:								
Planning and zoning	737							737
Economic development	1,666							1,666
Debt service: principal	90,918			179,520				270,438
interest	36,047			95,020				131,067
Liquor operating agreement	35							35
Capital outlay	784,873				22,000	242,608		1,049,481
<b>Total disbursements</b>	<b>2,215,941</b>	<b>22,065</b>	<b>18,166</b>	<b>274,540</b>	<b>22,000</b>	<b>242,608</b>	<b>0</b>	<b>2,795,320</b>
<b>Excess of receipts over (under) disbursements</b>	<b>(736,190)</b>	<b>(555)</b>	<b>7,666</b>	<b>(120,116)</b>	<b>(6,750)</b>	<b>(242,608)</b>	<b>0</b>	<b>(1,098,553)</b>

CITY OF GROTON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
 IN FUND BALANCES -- GOVERNMENTAL FUNDS -- MODIFIED CASH BASIS (continued)  
 FOR THE YEAR ENDING DECEMBER 31, 2013

	General Fund	3rd Cent Fund	Airport Fund	Debt Service Fund	West Ditch Drainage Project Fund	2013 C&G Capital Improvement Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
	-----	-----	-----	-----	-----	-----	-----	-----
Other financing sources (uses):								
Transfers in	1,032,300			158,300		2,608		1,193,208
Transfers out	(193,876)		(29,000)	(2,332)				(225,208)
Sale of surplus property	3,932							3,932
Contribution from property owners						240,000		240,000
Net change in fund balance	106,166	(555)	(21,334)	35,852	(6,750)	0	0	113,379 *
Fund balance:								
January 1, 2013	75,978	8,717	21,500	292,629	6,750	0	32,887	438,461
December 31, 2013	182,144	8,162	166	328,481	0	0	32,887	551,840
	=====	=====	=====	=====	=====	=====	=====	=====
					CLOSED			

\* Change in net position on government-wide statement of activities.

See accompanying notes.

CITY OF GROTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES -- GOVERNMENTAL FUNDS -- MODIFIED CASH BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2012

	General Fund	3rd Cent Fund	Airport Fund	Debt Service Fund	West Ditch Drainage Project Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
<b>Receipts:</b>							
Receipts from local sources:							
<b>Taxes:</b>							
Ad valorem taxes	592,305						592,305
Sales and use taxes	547,816	19,722					567,538
Amusement tax	108						108
Licenses and permits:	12,051						12,051
Intergovernmental receipts:							
Federal grants	53,083						53,083
State shared receipts:							
State grant - Community Access	250,000						250,000
State grant - public safety	12,950						12,950
Bank franchise tax	1,661						1,661
Motor vehicle comm prorata	3,269						3,269
Liquor tax reversion	9,026						9,026
Motor vehicle licenses (5%)	13,945						13,945
Local highway & bridge	28,875						28,875
County shared receipts: road taxes	3,201						3,201
James River Water Dev District					4,750		4,750
Charges for goods and services:							
General government	1,879						1,879
Public safety	903						903
Highways and streets	163,422						163,422
Cemetery	5,537						5,537
Parks and recreation	75,839						75,839
Fines and forfeits:	700						700
Other sources:							
Interest received	5	2	7	26,118			26,132
Rents			24,038				24,038
Donations	13,135				11,500	10	24,645
Special assessments				87,480			87,480
Liquor operating agreement	11,711						11,711
Other	7,683						7,683
<b>Total receipts</b>	<b>1,809,104</b>	<b>19,724</b>	<b>24,045</b>	<b>113,598</b>	<b>16,250</b>	<b>10</b>	<b>1,982,731</b>
<b>Disbursements:</b>							
General government:							
Mayor and Council	17,417						17,417
Elections	32						32
Financial administration	272,537						272,537
Other	21,572						21,572
Public safety:							
Police	300,164						300,164
Other	333						333
Public works:							
Highways and streets	437,123						437,123
Airport			17,179				17,179
Cemetery	17,241						17,241
Health and welfare:							
Health	14						14
Culture and recreation:							
Recreation	116,833	12,918					129,751
Parks	23,837						23,837
Library	849						849
Community center	2,827						2,827
Economic development:							
Planning and zoning	870						870
Economic development	2,160						2,160
Debt service: principal	86,072			185,656			271,728
interest	40,893			71,118			112,011
Liquor operating agreement	690						690
Capital outlay	1,465,081				9,500		1,474,581
<b>Total disbursements</b>	<b>2,806,545</b>	<b>12,918</b>	<b>17,179</b>	<b>256,774</b>	<b>9,500</b>	<b>0</b>	<b>3,102,916</b>
<b>Excess of receipts over (under) disbursements</b>	<b>(997,441)</b>	<b>6,806</b>	<b>6,866</b>	<b>(143,176)</b>	<b>6,750</b>	<b>10</b>	<b>(1,120,185)</b>

CITY OF GROTON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
 IN FUND BALANCES -- GOVERNMENTAL FUNDS -- MODIFIED CASH BASIS (continued)  
 FOR THE YEAR ENDING DECEMBER 31, 2012

	General Fund	3rd Cent Fund	Airport Fund	Debt Service Fund	West Ditch Drainage Project Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Other financing sources (uses):							
Transfers in	935,300			74,180			1,009,480
Transfers out	(84,180)						(84,180)
Net change in fund balance	(146,321)	6,806	6,866	(68,996)	6,750	10	(194,885) *
Fund balance:							
January 1, 2012	222,299	1,911	0	361,625	0	32,877	618,712
Reclassify airport fund			14,634				14,634
January 1, 2012, adjusted	222,299	1,911	14,634	361,625	0	32,877	633,346
December 31, 2012	75,978	8,717	21,500	292,629	6,750	32,887	438,461

\* Change in net position on government-wide statement of activities.

See accompanying notes.

CITY OF GROTON

STATEMENT OF NET POSITION - ENTERPRISE FUNDS  
 MODIFIED CASH BASIS  
 AS OF DECEMBER 31, 2013

	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	84,349	47,244	6,667	7,754	146,014
Certificates of deposit					0
<b>Restricted assets:</b>					
Cash and cash equivalents		15,482			15,482
Certificates of deposit					0
<b>Total assets</b>	<b>84,349</b>	<b>62,726</b>	<b>6,667</b>	<b>7,754</b>	<b>161,496</b>
	-----	-----	-----	-----	-----
<b>Net Position:</b>					
<b>Restricted:</b>					
Debt service		15,482			15,482
Held for others	49,578	6,202		25	55,805
<b>Unrestricted</b>	<b>34,771</b>	<b>41,042</b>	<b>6,667</b>	<b>7,729</b>	<b>90,209</b>
	-----	-----	-----	-----	-----
<b>Total net position</b>	<b>84,349</b>	<b>62,726</b>	<b>6,667</b>	<b>7,754</b>	<b>161,496</b>
	=====	=====	=====	=====	=====

See accompanying notes.

CITY OF GROTON

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN NET POSITION -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2013

	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<b>Operating receipts:</b>					
Charges for goods and services	315,370	1,801,525	211,568	79,630	2,408,093
<b>Total operating receipts</b>	<b>315,370</b>	<b>1,801,525</b>	<b>211,568</b>	<b>79,630</b>	<b>2,408,093</b>
<b>Operating disbursements:</b>					
Personal services	62,591	180,918	33,905	3,836	281,250
Other current costs	48,519	131,690	29,376	16,905	226,490
Cost of goods sold	126,025	1,014,293		68,249	1,208,567
Capital improvements		9,575		7,178	16,753
<b>Total operating disbursements</b>	<b>237,135</b>	<b>1,336,476</b>	<b>63,281</b>	<b>96,168</b>	<b>1,733,060</b>
<b>Total operating income (loss)</b>	<b>78,235</b>	<b>465,049</b>	<b>148,287</b>	<b>(16,538)</b>	<b>675,033</b>
<b>Nonoperating receipts (disbursements):</b>					
Operating grant		1,500			1,500
Interest received	94	111	37		242
Sale of surplus property		20,964			20,964
Debt service - principal		(53,020)	(94,559)		(147,579)
- interest		(8,908)	(35,108)		(44,016)
<b>Total nonoperating receipts (disbursements)</b>	<b>94</b>	<b>(39,353)</b>	<b>(129,630)</b>	<b>0</b>	<b>(168,889)</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>78,329</b>	<b>425,696</b>	<b>18,657</b>	<b>(16,538)</b>	<b>506,144</b>
Transfers in		35,300		17,700	53,000
Transfers (out)	(100,000)	(820,000)	(101,000)		(1,021,000)
<b>Capital contributions:</b>					<b>0</b>
None					0
<b>Change in net position</b>	<b>(21,671)</b>	<b>(359,004)</b>	<b>(82,343)</b>	<b>1,162</b>	<b>(461,856)</b>
<b>Net position:</b>					
January 1, 2013	106,020	421,730	89,010	6,592	623,352
December 31, 2013	84,349	62,726	6,667	7,754	161,496

See accompanying notes.

CITY OF GROTON

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN NET POSITION -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2012

	Water Fund	Electric Fund	Sewer Fund	Airport Fund	Solid Waste Fund	Total Enterprise Funds
<b>Operating receipts:</b>						
Charges for goods and services	324,121	1,770,757	211,449		74,028	2,380,355
<b>Total operating receipts</b>	<b>324,121</b>	<b>1,770,757</b>	<b>211,449</b>	<b>0</b>	<b>74,028</b>	<b>2,380,355</b>
<b>Operating disbursements:</b>						
Personal services	57,888	184,686	30,382		3,515	276,471
Other current costs	43,179	33,664	35,760		3,863	116,466
Cost of goods sold	131,386	935,621			64,395	1,131,402
Capital improvements		386,661	53,339			440,000
<b>Total operating disbursements</b>	<b>232,453</b>	<b>1,540,632</b>	<b>119,481</b>	<b>0</b>	<b>71,773</b>	<b>1,964,339</b>
<b>Total operating income (loss)</b>	<b>91,668</b>	<b>230,125</b>	<b>91,968</b>	<b>0</b>	<b>2,255</b>	<b>416,016</b>
<b>Nonoperating receipts (disbursements):</b>						
Operating grant		2,000				2,000
Interest received	277	211	295		7	790
Sale of surplus property	3,401					3,401
2010 sales tax revenue bond proceeds			2,514			2,514
Borrower bond proceeds			249,240			249,240
Capital lease proceeds		300,000				300,000
Debt service - principal		(33,368)	(57,411)			(90,779)
- interest		(562)	(48,592)			(49,154)
- bond issue fee			(4,850)			(4,850)
<b>Total nonoperating receipts (disbursements)</b>	<b>3,678</b>	<b>268,281</b>	<b>141,196</b>	<b>0</b>	<b>7</b>	<b>413,162</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>95,346</b>	<b>498,406</b>	<b>233,164</b>	<b>0</b>	<b>2,262</b>	<b>829,178</b>
<b>Transfers in</b>		<b>67,000</b>				<b>67,000</b>
<b>Transfers (out)</b>	<b>(120,000)</b>	<b>(565,300)</b>	<b>(287,000)</b>		<b>(20,000)</b>	<b>(992,300)</b>
<b>Capital contributions:</b>						
Federal grants	43,784		121,724			165,508
State grants	1,044		20,501			21,545
<b>Change in net position</b>	<b>20,174</b>	<b>106</b>	<b>88,389</b>	<b>0</b>	<b>(17,738)</b>	<b>90,931</b>
<b>Net position:</b>						
January 1, 2012	85,846	421,624	621	14,634	24,330	547,055
Reclassify airport fund				(14,634)		(14,634)
January 1, 2012, adjusted	85,846	421,624	621	0	24,330	532,421
December 31, 2012	106,020	421,730	89,010	0	6,592	623,352

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See accompanying notes.

CITY OF GROTON

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
 MODIFIED CASH BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2013

	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
Cash flows from:					
Operating activities:					
Receipts from:					
customers	306,120	1,779,325	207,868	77,780	2,371,093
interfund services (estimated)	9,250	22,200	3,700	1,850	37,000
Payments to:					
employees	(62,591)	(180,918)	(33,905)	(3,836)	(281,250)
suppliers	(172,144)	(1,144,933)	(27,676)	(85,154)	(1,429,907)
interfund services (estimated)	(2,400)	(1,050)	(1,700)		(5,150)
Net cash provided (used) by operating activities	78,235	474,624	148,287	(9,360)	691,786
Noncapital financing activities:					
Transfers in		35,300		17,700	53,000
Transfers (out)	(100,000)	(820,000)	(101,000)		(1,021,000)
Sale of surplus property		20,964			20,964
Operating grant		1,500			1,500
Capital financing activities:					
Cash paid for improvements		(9,575)		(7,178)	(16,753)
Principal paid on debt		(53,020)	(94,559)		(147,579)
Interest paid on debt		(8,908)	(35,108)		(44,016)
Investing activities:					
Interest received	94	111	37		242
Net increase (decrease) in cash	(21,671)	(359,004)	(82,343)	1,162	(461,856)
Cash and equivalents:					
January 1, 2013	106,020	421,730	89,010	6,592	623,352
December 31, 2013	84,349	62,726	6,667	7,754	161,496
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	78,235	465,049	148,287	(16,538)	675,033
Capital improvements		9,575		7,178	16,753
Net cash provided (used) by operating activities	78,235	474,624	148,287	(9,360)	691,786

Noncash investing, capital and financing activities:  
 NONE

See accompanying notes.

CITY OF GROTON

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
 MODIFIED CASH BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2012

	Water Fund	Electric Fund	Sewer Fund	Airport Fund	Solid Waste Fund	Total Enterprise Funds
Cash flows from:	-----	-----	-----	-----	-----	-----
Operating activities:						
Receipts from:						
customers	314,871	1,748,557	207,749		72,178	2,343,355
interfund services (estimat	9,250	22,200	3,700		1,850	37,000
Payments to:						
employees	(57,888)	(184,686)	(30,382)		(3,515)	(276,471)
suppliers	(172,165)	(968,235)	(34,060)		(68,258)	(1,242,718)
interfund services (estimat	(2,400)	(1,050)	(1,700)			(5,150)
Net cash provided (used)	-----	-----	-----	-----	-----	-----
by operating activities	91,668	616,786	145,307	0	2,255	856,016
Noncapital financing activities:						
Transfers in		67,000				67,000
Transfers (out)	(120,000)	(565,300)	(287,000)		(20,000)	(992,300)
Sale of surplus property	3,401					3,401
Operating grant		2,000				2,000
Capital financing activities:						
2010 sales tax revenue bond proceeds			2,514			2,514
Borrower bond proceeds			249,240			249,240
Capital lease proceeds		300,000				300,000
Federal grants	43,784		121,724			165,508
State grants	1,044		20,501			21,545
Cash paid for improvements		(386,661)	(53,339)			(440,000)
Principal paid on debt		(33,368)	(57,411)			(90,779)
Interest paid on debt		(562)	(48,592)			(49,154)
Bond issue fee			(4,850)			(4,850)
Investing activities:						
Interest received	277	211	295		7	790
Net increase (decrease)	-----	-----	-----	-----	-----	-----
in cash	20,174	106	88,389	0	(17,738)	90,931
Cash and equivalents:						
January 1, 2012	85,846	421,624	621	14,634	24,330	547,055
Reclassify airport fund				(14,634)		(14,634)
January 1, 2012, adjusted	85,846	421,624	621	0	24,330	532,421
December 31, 2012	106,020	421,730	89,010	0	6,592	623,352
	=====	=====	=====	=====	=====	=====
				CLOSED		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	91,668	230,125	91,968	0	2,255	416,016
Capital improvements		386,661	53,339			440,000
Net cash provided (used)	-----	-----	-----	-----	-----	-----
by operating activities	91,668	616,786	145,307	0	2,255	856,016
	=====	=====	=====	=====	=====	=====

Noncash investing, capital  
and financing activities:  
NONE

See accompanying notes.

CITY OF GROTON

STATEMENT OF FIDUCIARY NET POSITION  
 MODIFIED CASH BASIS  
 AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012

	2013	2012
	-----	-----
Agency Funds:		
Assets:		
Cash	0	0
	=====	=====
Liabilities:		
Held for others	0	0
	=====	=====
	Family Crisis Fund	Family Crisis Fund
	-----	-----
Private Purpose Trust:		
Assets:		
Cash	4,133	4,780
	=====	=====
Net Position:		
December 31, 2012		4,780
		=====
December 31, 2013	4,133	
	=====	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 MODIFIED CASH BASIS  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2013

	Family Crisis Fund	Family Crisis Fund
	-----	-----
Private Purpose Trust:		
Additions:		
Donations	4,558	5,183
Other	392	40
Interest received	1	1
	-----	-----
Total additions	4,951	5,224
	-----	-----
Deductions:		
Family needs	5,598	4,462
	-----	-----
Total deductions	5,598	4,462
	-----	-----
Change in net position	(647)	762
Net Position:		
December 31, 2011		4,018
		-----
December 31, 2012	4,780	4,780
	-----	=====
December 31, 2013	4,133	
	=====	

See accompanying notes.

CITY OF GROTON  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Groton uses a modified cash basis of accounting, which does not conform to generally accepted accounting principles applicable to government entities in the United States of America. See note 1c.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of Groton's (City) Governing Board.

The City's officials at December 31, 2013 are:

Governing Board:	Finance Officer:
Scott Hanlon, Mayor	Anita Lowary
Gary Heitmann, President	
Clare Brotherton	Attorney:
Mary Fliehs	Drew Johnson
David McGannon	
Michelle Muilenburg	
Ed Opp	

The City's financial reporting entity is composed of the following:

Financial Reporting Entity:  
Primary Government: - The City of Groton  
Component Units: - None

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Groton consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the City (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the City of Groton does not have any component units.

b. Basis of Presentation:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities display information about the reporting entity (City of Groton) as a whole. These statements include all funds of the reporting entity except fiduciary funds (if any). These statements distinguish between the governmental and business-type activities and discretely presented component units (if any). Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units (if any) are legally separate organizations that meet certain criteria, as described in note 1a above, and may be classified as either governmental or business-type activities.

The Statement of Net Position reports all cash resources. Net position is displayed in two components, restricted (if any) and unrestricted.

The Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the City's governmental activities and for each segment of business-type activities of the City. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts include (a) charges paid by recipients of goods and services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all taxes and interest received, are presented as general receipts.

FUND FINANCIAL STATEMENTS:

The fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its cash, net position, receipts, and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

- a. Total cash, receipts, or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City has elected to classify all of its funds as major funds.

The funds of the City are described below within their respective fund types:

*Governmental Funds*

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always a major fund.

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The City has the following special revenue funds:

3rd Cent Sales Tax Fund - A fund allowed by SDCL 10-52-8 to account for the receipts from the 3rd cent sales tax imposed on liquor, lodging and dining sales. The 3rd cent can be spent on the promotion of the city. The 3rd cent sales tax fund is a major fund.

Airport fund - A fund established by SDCL 50-7-2 to provide airport services to customers within the City of Groton. However, the airport fund does not collect fees for airport services, only rents for the use of airport land. The airport fund is a major fund.

Debt Service Funds - debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related cost. The City has the following debt service fund:

Debt Service Fund - to account for special assessments which may only be used for the payment of the special assessment debt principal, interest, and related costs. The debt service fund is a major fund.

Capital Project Funds - capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds for individuals, private organizations, or other governments). The City has the following capital project funds:

West Ditch Drainage Project Fund - the City uses a capital project fund to account for a \$20,000 grant from James River Water Development District and donations of \$11,500 for west ditch drainage improvements. The west ditch drainage project fund is a major fund.

2013 Curb & Gutter Capital Improvement Fund - the City uses a capital project fund to account for contributions from property owners of \$240,000 for new curb and gutters which cost \$242,608 on streets that front their property. The 2013 curb & gutter capital improvement fund is a major fund.

Permanent Funds - permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's activities. The City has the following permanent fund:

Cemetery Perpetual Care Fund - A fund established by SDCL 9-32-18 to account for money that can only be used for upkeep of the City's cemetery. The cemetery perpetual care fund is a major fund.

#### Enterprise Funds (Business-Type)

Enterprise Funds are used to account for activity for which a fee is charged to external users for goods or services. The City has these enterprise funds:

Water fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of Groton. The water fund is a major fund.

Electric fund - A fund established by SDCL 9-39-1 and 9-39-26 to provide electrical service to customers within the City of Groton. The electric fund is a major fund.

Sewer fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the City of Groton. The sewer fund is a major fund.

Solid waste fund - A fund established by SDCL 9-32-11 and 34A-6 to provide solid waste services to customers within the City of Groton. The solid waste fund is a major fund.

## *Fiduciary Funds*

Fiduciary Funds are never considered to be major funds.

Agency funds - agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds are used to accumulate resources entrusted to the City, which are then disbursed upon order from the applicable agency. Since agency funds are custodial in nature they do not involve the measurement of results of operations. The City maintains a sales tax fund, federal gas tax fund, 8 payroll liability clearing funds, and 3 customer deposit/clearing funds as fiduciary agency funds.

Private-purpose trust funds - private-purpose trust funds are used to account for trust arrangements under which the principal and income benefit individuals, private organizations, or other governments. The City maintains one private-purpose trust fund for family crisis relief.

### c. Basis of Accounting:

Basis of accounting refers to when revenues (receipts) and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements.

These financial statements are presented on a modified cash basis of accounting rather than a accrual/modified accrual basis of accounting. The cash basis has been modified by including certificates of deposit whose maturity when purchased is more than 90 days and customer deposits.

This basis of accounting recognizes only cash, certificates of deposit, money market investments, net position, receipts and disbursements. Consequently, revenues (receipts) are recognized when received and expenditures or expenses (disbursements) are recognized when paid. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise fund types would use the full accrual basis of accounting. All government-wide financials would be presented on the full accrual basis of accounting.

### d. Cash and Cash Equivalents:

The City pools its cash resources for depositing and investing purposes, giving enterprise funds access to their cash resources on demand. Accordingly, all reported enterprise fund cash deposits (including certificates of deposit, if any) are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

### e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements initially made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reduction of disbursement in the fund that is reimbursed. All other interfund transactions are reported as transfers.

### f. Program Receipts and General Receipts:

#### *Program Receipts*

In the government-wide statement of activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry as a whole. Program receipts are classified into three categories as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

#### *General Receipts*

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the City.

#### g. Enterprise Funds Receipt and Disbursement Classifications:

In both the government-wide statements and fund financial statements, enterprise fund receipts and disbursements are classified in a manner consistent with how they are classified in the statement of cash flows. Accordingly, transactions in which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating receipts and disbursements.

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating receipts, if any, such as grants, investment earnings, and transfers, result from non-exchange transactions.

#### h. Equity Classifications:

##### *Government-wide Statements*

Equity is classified as net position and is displayed in two components:

1. Restricted Net Position - Consists of net position with constraints placed on its use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position - All other net position that does not meet the definition of "restricted net position".

##### *Fund Financial Statements*

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) (except for agency funds, which have no fund equity) is reported as "Fiduciary Net Position."

#### i. Application of Net Position:

The City's policy is to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

j. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- \* Nonspendable - includes fund cash balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund cash balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- \* Committed - includes fund cash balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- \* Assigned - includes fund cash balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund cash balance may be assigned by the City Council or Finance Officer.
- \* Unassigned - includes positive fund cash balance within the general fund which has not been classified within the above categories and negative fund balance amounts in other governmental funds.

The City of Groton fund balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	General Fund:		
	Baseball uniforms	Agreement	1,500
	Perpetual Care	Statute	32,887
Restricted	General Fund:		
	Held for others	Agreement	9,460
	3rd Cent uses	Statute	8,162
	Debt service	Covenant	328,481
	Capital Projects	Contract	0
Committed	Airport	Resolution	166
Assigned	Debt Service	Finance Officer	63,000
Unassigned	General		108,184
			-----
			551,840

The City uses "restricted" and "committed" amounts first when restricted and unrestricted fund balance is available unless there are legal documents/ contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund - Purpose:	Revenue Source:	
* 3rd Cent - City promotion	Sales tax	(see page 15 and 17)
* Airport - Operations	Rents	(see page 15 and 17)

## 2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS RELATED PARTY ACTIVITY

### *Interest of Local Officials:*

SDCL 6-1-1 generally bars elected or appointed officers of local governments from being interested in any contract with their respective entities. Two exceptions to this rule are contracts involving \$5,000 or less (SDCL 6-1-2) and contracts where competitive bidding procedures are followed and where more than one such competitive bid is submitted (AGR 82-22) or if only one bid is submitted from an elected or appointed officer and procedures established in SDCL 6-1-2.1 are followed.

In 2012 the City requested bids for gravel purchases of more than \$5,000 and only one bid was received from a member of the City Council. In 2013 the City requested bids for dozer dump services of more than \$5,000 and only one bid was received from a member of the City Council. These requests for bids were not posted to the Central Bid Exchange two weeks prior to their award to satisfy the procedures established by SDCL 6-1-2.1 for accepting a bid from a member of the City Council when only one bid is received.

### *Budget Overdrafts:*

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. In 2013 the City went over its general fund transit budget line item by \$145; its general fund Community Center budget line item by \$3,358; and its transfer out by \$30,876. In 2012 the City went over its general fund police budget line item by \$10,017.

In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

## 3. DEPOSITS AND INVESTMENTS AND RELATED RISKS

The City follows the practice of aggregating deposits of its various funds for cash management efficiency and returns, except for restricted cash held by 3rd parties and certificates of deposits purchased for an individual fund.

Deposits - The City's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits City money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2013 were as follows: Insured \$367,822, Collateralized \*\* \$0, for a total of \$367,822.

\*\* Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits, including certificates of deposit, at December 31, 2013 was \$327,198.

Certificates of deposit, with a term to maturity of greater than 90 days when purchased, are insured or collateralized and are considered deposits.

Custodial Deposit Risk - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2013 all of the City's cash deposits in financial institutions were covered by FDIC insurance and so there was no custodial deposit risk.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. All of the City's deposits are in Wells Fargo Bank, First State Bank of Groton, and Dacotah Bank.

At December 31, 2013, the City had the following investment:

	Credit Rating	Maturities	Fair Value	Interest Rate Risk
South Dakota FIT: (100%)				
Govt. Cash Reserve Money Market	Unrated	NA	390,271	notes 1,2,3

notes

- 1 Fixed principal. Interest rate varies. Not subject to interest rate risk.
- 2 South Dakota FIT is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts, and counties. The net asset value of the SD.FIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.
- 3 Because the City has access to these funds on demand, they are considered to be a "cash equivalent."

Investment Risk - State law limits eligible investments for the City as discussed above. The City has no investment policy that would further limit its investment choices.

Investment Custodial Risk - The risk that, in the event of failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City was not exposed to custodial investment risk in 2012 or 2013.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the deposit or investment. The City's policy is to credit all income from deposits and investments to the fund making the deposit or investment.

4. CHANGES IN LONG-TERM DEBT (see page 42 to 45)  
LOAN COVERAGE (see page 46)  
FORGIVABLE LOANS

A summary of changes in long-term debt is presented in schedule one at the end of these notes.

A summary of applicable loan coverage is presented in schedule two at the end of these notes. The City did not have any short-term debt or conduit debt during 2012 or 2013.

In 2012 the City received a \$43,784 Drinking Water Loan (DW-3) for water meter replacement, which was 100% forgiven.

5. RESTRICTED NET POSITION

Restricted net position at December 31, 2013 is as follows:

Purpose:	Restricted By:	Government-Wide	Business-Type
Perpetual care cash	Statute	32,887	
Baseball uniforms	Agreement	1,500	
Debt service	Covenants	328,481	15,482
3rd cent uses	Statute	8,162	
Held for others	Agreement	9,460	55,805
		-----	-----
Total Restricted Net Position		380,490	71,287

6. INTERFUND TRANSFERS

Net transfers "in" and "(out)" between funds are:

	Governmental	Enterprise
For 2013 operations and capital improvements:		
General	838,424	
Airport	(29,000)	
Debt service	155,968	
2103 C&G Capital Imp.	2,608	
Water		(100,000)
Electric		(784,700)
Sewer		(101,000)
Solid waste		17,700
	-----	-----
	968,000	(968,000)
For 2012 operations and capital improvements:		
General	851,120	
Debt service	74,180	
Baseball uniform trust		
Water		(120,000)
Electric		(498,300)
Sewer		(287,000)
Solid waste		( 20,000)
	-----	-----
	925,300	(925,300)

7. RETIREMENT PLAN

All employees, except for part-time employees, seasonal employees and elected officials, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the years ending December 31, 2013, 2012, and 2011 were \$69,639, \$58,341, and \$56,166 (employer's share) respectively, equal to the required contribution each year. There are no deferred contributions.

8. BENEFICIAL INTEREST

In 1997 the Groton Community Fund was established as an endowment at the Lutheran Community Foundation. The City of Groton has a beneficial interest in the Groton Community Fund, which is reported below.

Activity of the Groton Community Fund:	2013	2012
Receipts:		
Contributions	6,950	7,950
Capital gains	15,458	10,664
Interest and dividends	948	1,342
	-----	-----
Total	23,356	19,956
	-----	-----
Disbursements:		
Distribution to:		
City of Groton	1,250	
Groton Area School District		5,000
Fund administrative fee	1,152	999
Insurance premiums	1,700	1,700
	-----	-----
Total	4,102	7,699
	-----	-----
Increase in Net Position	19,254	12,257
Net Position:		
December 31, 2011		96,169
		-----
December 31, 2012	108,426	108,426
		-----
December 31, 2013	127,680	=====
	=====	

9. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City.

Property taxes are recognized when they are received.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to injuries to employees; torts; theft of or damage to property; errors and omissions of public officials; and natural disasters. During the two years ending December 31, 2013, the City managed its risks as follows:

Employee Health Insurance

The City purchased health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide coverage for general liability, automobile liability, elected officials, law enforcement liability, liquor, Good Samaritan, and property insurance.

The agreement with the SDPAA provides that the above coverage's will be provided to a \$5,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The City carries a \$2,000 deductible for the law enforcement liability coverage and a \$500 deductible for wrongful acts. The remaining coverages are \$0 deductible.

The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower cost for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed above, under a claims-made policy and the premiums are accrued on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage.

At December 31, 2013 the City has \$25,246 of vested benefits on deposit in the SDPAA Cumulative Reserve Fund.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

#### Worker's Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$325,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,675,000 per individual per incident.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospective rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The City may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

#### Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During 2012 and 2013 no claims were paid for unemployment benefits. None are expected to be paid in 2014.

11. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City does not operate a landfill.

The City is not involved in any significant litigation.

The City does not offer any Other Post Employment Benefits.

In 2014 the City stopped paying liquor invoices for local establishments and then being reimbursed for those invoices by the establishments. Now the City just bills each establishments for the City's required markup. This reduces the City's cash activity by some \$200,000 each year.

In January 2014 the City purchased a Skid Loader for \$44,386.

In February 2014 the City awarded a street chip seal contract for \$104,896.

In March 2014 the City awarded a West Street reconstruction and curb and gutter contract for \$1,274,050. The City received contributions from property owners of \$250,000 for the curb and gutter portion of this contract.

In March 2014 the City sold an electric transformer for \$56,000 and a bucket truck for \$12,100.

CITY OF GROTON  
 SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2013

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	579,000			579,000	607,509	28,509
Sales and use tax	500,000			500,000	544,081	44,081
Amusement tax				0	108	108
Licenses and permits:	9,750			9,750	11,691	1,941
Intergovernmental receipts:						
Federal grants	31,000			31,000	65,695	34,695
State shared receipts:						
State grants	163,000			163,000	17,803	(145,197)
Bank franchise tax	1,600			1,600	1,872	272
Motor vehicle commercial p	3,000			3,000	3,038	38
Liquor tax reversion	8,400			8,400	8,731	331
Motor vehicle licenses (5%)	12,500			12,500	16,506	4,006
Highway and bridge	22,000			22,000	29,444	7,444
County shared receipts	1,900			1,900	1,919	19
Charges for goods and services:						
General government	990			990	844	(146)
Public safety	1,100			1,100	918	(182)
Highways and streets	2,800			2,800	45,586	42,786
Weed control	200			200	150	(50)
Health	30			30		(30)
Cemetery	2,360			2,360	2,975	615
Parks and recreation	71,330			71,330	66,903	(4,427)
Fines and forfeits:	700			700	542	(158)
Miscellaneous receipts:						
Interest received	130			130	7,040	6,910
Donations	33,800			33,800	34,097	297
Liquor operating agreements, net	12,430			12,430	10,076	(2,354)
Other	1,500			1,500	2,223	723
<b>Total receipts</b>	<b>1,459,520</b>	<b>0</b>	<b>0</b>	<b>1,459,520</b>	<b>1,479,751</b>	<b>20,231</b>
Disbursements:						
General government:						
Mayor and Council	21,160			21,160	18,199	2,961
Contingency	100,000			100,000		100,000
Amount transferred		(99,990)		(99,990)		(99,990)
Elections	1,310			1,310	960	350
Financial administration	283,570	1,300		284,870	263,233	21,637
Other	16,610	11,100		27,710	26,559	1,151
Public safety:						
Police	294,110	66,130		360,240	326,567	33,673
Other protection	60		20	80	75	5
Public works:						
Highways and streets	1,383,200		120,800	1,504,000	1,275,097	228,903
Sanitation	4,000			4,000		4,000
Cemetery	15,910			15,910	14,102	1,808
Transit	2,500			2,500	2,645	(145)
Health and welfare:						
Health	490	2,180		2,670	2,165	505
Culture and recreation:						
Recreation and pool	132,530	2,230		134,760	97,067	37,693
Parks	61,180			61,180	51,288	9,892
Library	1,370			1,370	643	727
Community Center	4,580			4,580	7,938	(3,358)
Economic development/assistance	2,600	490		3,090	2,403	687
Debt service:	126,970			126,970	126,965	5
Liquor operating agreements:	110			110	35	75
<b>Total disbursements</b>	<b>2,452,260</b>	<b>(16,560)</b>	<b>120,820</b>	<b>2,556,520</b>	<b>2,215,941</b>	<b>340,579</b>
Excess of receipts over (under) disbursements	(992,740)	16,560	(120,820)	(1,097,000)	(736,190)	360,810
Other financing sources (uses):						
Transfer in	879,000			879,000	1,032,300	153,300
Transfer (out)	(146,440)	(16,560)		(163,000)	(193,876)	(30,876)
Sale of surplus property				0	3,932	3,932
<b>Net change in fund balance</b>	<b>(260,180)</b>	<b>0</b>	<b>(120,820)</b>	<b>(381,000)</b>	<b>106,166</b>	<b>487,166</b>
Fund balance:						
January 1, 2013	75,978			75,978	75,978	0
December 31, 2013	(184,202)	0	(120,820)	(305,022)	182,144	487,166

CITY OF GROTON  
 SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2012

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)	
	Original	Contingency Transfers	Supplementals			Final
Receipts:						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	585,920			585,920	592,305	6,385
Sales and use tax	460,000			460,000	547,816	87,816
Amusement tax				0	108	108
Licenses and permits:	10,710			10,710	12,051	1,341
Intergovernmental receipts:						
Federal grants	30,000			30,000	53,083	23,083
State shared receipts:						
State grants	10,500			10,500	262,950	252,450
Bank franchise tax	1,500			1,500	1,661	161
Motor vehicle commercial p:	2,300			2,300	3,269	969
Liquor tax reversion	8,200			8,200	9,026	826
Motor vehicle licenses (5%)	11,400			11,400	13,945	2,545
Highway and bridge	20,000			20,000	28,875	8,875
County shared receipts	1,780			1,780	3,201	1,421
Charges for goods and services:						
General government	780			780	1,879	1,099
Public safety	1,000			1,000	903	(97)
Highways and streets	2,100			2,100	163,422	161,322
Sanitation	400			400		(400)
Health	30			30		(30)
Cemetery	1,860			1,860	5,537	3,677
Parks and recreation	74,850			74,850	75,839	989
Fines and forfeits:	570			570	700	130
Miscellaneous receipts:						
Interest received	1,130			1,130	5	(1,125)
Donations	13,800			13,800	13,135	(665)
Liquor operating agreement, net	12,430			12,430	11,711	(719)
Other	500			500	7,683	7,183
<b>Total receipts</b>	<b>1,251,760</b>	<b>0</b>	<b>0</b>	<b>1,251,760</b>	<b>1,809,104</b>	<b>557,344</b>
Disbursements:						
General government:						
Mayor and Council	21,100	240		21,340	17,417	3,923
Contingency	120,000			120,000		120,000
Amount transferred		(119,680)		(119,680)		(119,680)
Elections	1,310			1,310	32	1,278
Financial administration	302,120	3,480	9,500	315,100	272,537	42,563
Other	15,440	4,140	1,000	20,580	21,572	(992)
Public safety:						
Police	312,510	12,280	1,800	326,590	336,607	(10,017)
Other protection	960			960	333	627
Public works:						
Highways and streets	1,406,630	66,850	456,830	1,930,310	1,865,761	64,549
Weed control	4,000			4,000		4,000
Cemetery	24,210	3,070		27,280	17,241	10,039
Health and welfare:						
West Nile control	12,340	20		12,360	14	12,346
Culture and recreation:						
Recreation and pool	233,250	25,650		258,900	116,833	142,067
Parks	24,130	2,200		26,330	23,837	2,493
Library	690	90	100	880	849	31
Community Center	4,580			4,580	2,827	1,753
Economic development/assistance:	3,200	750	1,200	5,150	3,030	2,120
Debt service:						
Liquor operating agreements:	110	910		1,020	690	330
<b>Total disbursements</b>	<b>2,486,580</b>	<b>0</b>	<b>597,410</b>	<b>3,083,990</b>	<b>2,806,545</b>	<b>277,445</b>
Excess of receipts over (under) disbursements	(1,234,820)	0	(597,410)	(1,832,230)	(997,441)	834,789
Other financing sources (uses):						
Transfer in				0	935,300	935,300
Transfer (out)	(104,280)			(104,280)	(84,180)	20,100
Long-term debt proceeds	1,000,000			1,000,000		(1,000,000)
<b>Net change in fund balance</b>	<b>(339,100)</b>	<b>0</b>	<b>(597,410)</b>	<b>(936,510)</b>	<b>(146,321)</b>	<b>790,189</b>
Fund balance:						
January 1, 2012, adjusted	222,299			222,299	222,299	0
<b>December 31, 2012</b>	<b>(116,801)</b>	<b>0</b>	<b>(597,410)</b>	<b>(714,211)</b>	<b>75,978</b>	<b>790,189</b>

CITY OF GROTON

SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2013

3RD CENT FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	16,010		16,010	21,507	5,497
Miscellaneous receipts:					
Interest received			0	3	3
Total receipts	16,010	0	16,010	21,510	5,500
Disbursements:					
Culture and recreation:					
Recreation	22,070		22,070	22,065	5
Total disbursements	22,070	0	22,070	22,065	5
Excess of receipts over (under) disbursements	(6,060)	0	(6,060)	(555)	5,505
Other financing sources (uses):					
None			0		0
Net change in fund balance	(6,060)	0	(6,060)	(555)	5,505
Fund balance:					
January 1, 2013	8,717		8,717	8,717	0
December 31, 2013	2,657	0	2,657	8,162	5,505

FOR THE YEAR ENDING DECEMBER 31, 2012

3RD CENT FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	13,510		13,510	19,722	6,212
Miscellaneous receipts:					
Interest received			0	2	2
Total receipts	13,510	0	13,510	19,724	6,214
Disbursements:					
Culture and recreation:					
Recreation	12,920		12,920	12,918	2
Total disbursements	12,920	0	12,920	12,918	2
Excess of receipts over (under) disbursements	590	0	590	6,806	6,216
Other financing sources (uses):					
None			0		0
Net change in fund balance	590	0	590	6,806	6,216
Fund balance:					
January 1, 2012	1,911		1,911	1,911	0
December 31, 2012	2,501	0	2,501	8,717	6,216

CITY OF GROTON

SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2013

AIRPORT FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Miscellaneous receipts:					
Interest received			0	9	9
Rents	25,820		25,820	25,823	3
Total receipts	25,820	0	25,820	25,832	12
Disbursements:					
Public Works:					
Airport	27,940		27,940	18,166	9,774
Total disbursements	27,940	0	27,940	18,166	9,774
Excess of receipts over (under) disbursements	(2,120)	0	(2,120)	7,666	9,786
Other financing sources (uses):					
Transfer (out)			0	(29,000)	(29,000)
Net change in fund balance	(2,120)	0	(2,120)	(21,334)	(19,214)
Fund balance:					
January 1, 2013	21,500		21,500	21,500	0
December 31, 2013	19,380	0	19,380	166	(19,214)

FOR THE YEAR ENDING DECEMBER 31, 2012

AIRPORT FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Miscellaneous receipts:					
Interest received	10		10	7	(3)
Rents	24,040		24,040	24,038	(2)
Total receipts	24,050	0	24,050	24,045	(5)
Disbursements:					
Public Works:					
Airport	17,250		17,250	17,179	71
Total disbursements	17,250	0	17,250	17,179	71
Excess of receipts over (under) disbursements	6,800	0	6,800	6,866	66
Other financing sources (uses):					
None			0		0
Net change in fund balance	6,800	0	6,800	6,866	66
Fund balance:					
January 1, 2012, adjusted	14,634		14,634	14,634	0
December 31, 2012	21,434	0	21,434	21,500	66

CITY OF GROTON

NOTES TO SUPPLEMENTARY INFORMATION

SCHEDULE OF BUDGETARY COMPARISON  
FOR THE GENERAL, 3RD CENT, AND AIRPORT FUNDS  
FOR THE TWO YEARS ENDING DECEMBER 31, 2013

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures to establish budgetary data reflected as supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental appropriations. During 2012 there was one supplemental appropriation to increase the general fund's budget. During 2013 there was one supplemental appropriation to increase the general fund's budget. See page 37 and 38.
- e. Formal budgetary integration is employed as a management control device for the general fund, 3rd cent fund, and airport fund.
- f. Budgets for the general, 3rd cent, and airport funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund balances. However, in the budgetary comparison schedules, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

CITY OF GROTON

SUPPLEMENTARY INFORMATION -- SCHEDULE ONE  
 CHANGES IN LONG-TERM DEBT  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2013

GOVERNMENTAL	Beginning 12-31-11	2012 Additions (Deletions)	2013 Additions (Deletions)	Governmental	Enterprise	Principal Payments Due in 2014
				Funds	Funds	
				Ending 12-31-113	Ending 12-31-13	
2003 Sales Tax Revenue Bonds (SRF, NE Sewer):						
Original Issue of \$126,648						
Maturing in July 2024, Fixed interest at 3.5%						
Paid by the Debt Service Fund	90,521	(5,738)	(5,942)	78,841		6,072
2003 Sales Tax Revenue Bonds (SRF, Drinking Water #1):						
Original Issue of \$440,000						
Maturing in January 2025, Fixed interest at 3.5%						
Paid by the Debt Service Fund	324,200	(19,592)	(20,286)	284,322		21,006
2004 Sales Tax Revenue Bonds (SRF, Drinking Water #2, EPA):						
Original Issue of \$304,600						
Maturing in April 2026, Fixed interest at 3.25%						
Paid by the Debt Service Fund	243,781	(13,390)	(13,831)	216,560		14,113
2003 Special Assessment Bond:						
Original Issue of \$230,000						
Maturing in May 2013, Fixed interest at 4.0%						
Secured by property liens and City's credit						
Paid by the Debt Service Fund	40,565	(26,774)	(13,791)	0		0
2004 Special Assessment Bond:						
Original Issue of \$300,000						
Maturing in November 2014, Fixed interest at 4.74%						
Secured by property liens and City's credit						
Paid by the Debt Service Fund	106,362	(33,807)	(35,428)	37,127		33,127
2006 Special Assessment Bond:						
Original Issue of \$128,000						
Maturing in November 2016, Fixed interest at 4.76%						
Secured by property liens and City's credit						
Paid by the Debt Service Fund	72,055	(13,088)	(13,718)	45,249		14,379
2007 Special Assessment Bond:						
Original Issue of \$225,000						
Maturing in July 2017, Fixed interest at 4.93%						
Secured by property liens and City's credit						
Paid by the Debt Service Fund	147,876	(21,745)	(22,831)	103,300		23,970
2009 Special Assessment Bond:						
Original Issue of \$570,000						
Maturing in December 2019, Fixed interest at 4.17%						
Secured by property liens and City's credit						
Paid by the Debt Service Fund	478,360	(51,522)	(53,693)	373,145		55,955
2009 Financing (Capital Acquisition) Lease (Swimming Pool):						
Original cost of \$980,000						
Down payment of \$0						
Maturing in November 2019, Fixed interest at 5.85%						
Swimming pool project	(21,751)	Prior year adj				
Paid by the General Fund	795,704	(86,072)	(90,918)	596,963		95,911
2013 Special Assessment Bond:						
Original Issue of \$240,000						
Maturing in June 2023, Fixed interest at 3.45%						
Secured by property liens and City's credit						
Redemable at any time at the option of the City						
Paid by the Debt Service Fund	0		240,000	240,000		21,750
Total Governmental	2,277,673	(271,728)	(30,438)	1,975,507		286,283

CITY OF GROTON

SUPPLEMENTARY INFORMATION -- SCHEDULE ONE (continued)  
 CHANGES IN LONG-TERM DEBT  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2013

	Beginning 12-31-11	2012 Additions (Deletions)	2013 Additions (Deletions)	Governmental	Enterprise	Principal Payments Due in 2014
				Funds	Funds	
				----- Ending 12-31-13	----- Ending 12-31-13	
<b>BUSINESS-TYPE</b>						
1999 Revenue Bonds (SRF, Lagoon):						
Original Loan Amount of \$465,454						
Maturing in January 2019						
Fixed interest at 5.25%						
Paid by the Sewer Fund	223,828	(27,195)	(28,652)		167,981	30,186
2003 Revenue Bonds (SRF, Clean Water):						
Original Loan Amount of \$432,847						
Maturing in January 2025						
Fixed interest at 3.5%	5,270	Prior year adj				
Paid by the Sewer Fund	318,930	(19,592)	(20,286)		284,322	20,664
2008 Revenue Bonds (SRF, 2007 Flood):						
Original Loan Amount of \$56,368						
Maturing in July 2029						
Fixed interest at 3.25%						
Paid by the Sewer Fund	51,691	(2,190)	(2,263)		47,238	2,309
2007 Revenue Bonds (Heartland Electric Breaker):						
Original Loan Amount of \$80,000						
Maturing in December 2012						
Fixed interest at 5.75%						
Paid by the Electric Fund	17,886	(17,886)			0	0
2010 Clean Water Revenue Bond:						
Original advance: \$310,913						
Principal forgiveness: \$131,827						
Maturing in January 2032						
Fixed interest at 3.0%						
Sewer improvements						
Paid by the Sewer Fund	179,086	(4,963)	(6,792)		167,331	6,998
2010 Sales Tax Revenue Bond:						
Original advance: \$206,979						
Principal forgiveness: \$51,744						
Maturing in January 2022						
Fixed interest at 2.25%						
Sewer railroad crossing		2,514				
Paid by the Sewer Fund	152,721	(3,471)	(14,082)		137,682	14,402
2011 Borrower Bond:						
Original advance: \$249,240 in 2012						
Maturing in October 15, 2022						
Fixed interest at 2.25%						
Sewer lift station and force main						
Paid by the Sewer Fund	0	249,240	(22,484)		226,756	22,994
2012 Financing (Capital Acquisition) Lease:						
Original cost of \$300,000						
Down payment of \$0						
Maturing in October 2017, Fixed interest at 3.15%						
Acquire two electric transformers		300,000				
Paid by the Electric Fund	0	(15,482)	(53,020)		231,498	55,115
<b>Total Business-Type</b>	<b>949,412</b>	<b>460,975</b>	<b>(147,579)</b>		<b>1,262,808</b>	<b>152,668</b>

CITY OF GROTON  
 SUPPLEMENTARY INFORMATION -- SCHEDULE ONE (continued)  
 CHANGES IN LONG-TERM DEBT -- PAYMENT SCHEDULES  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2013

GOVERNMENTAL	Total Payment	Principal	Interest	Balance
<b>2003 Sales Tax Revenue Bonds (SRF, NE Sewer):</b>				
2014	8,832	6,072	2,760	72,769
2015	8,832	6,285	2,547	66,484
2016	8,832	6,505	2,327	59,979
2017	8,832	6,733	2,099	53,246
2018	8,832	6,968	1,864	46,278
2019-2023	44,159	38,674	5,485	7,604
2024	7,870	7,604	266	0
Totals	96,189	78,841	17,348	
<b>2003 Sales Tax Revenue Bonds (SRF, Drinking Water #1):</b>				
2014	30,683	21,006	9,677	263,316
2015	30,683	21,467	9,216	241,849
2016	30,683	22,219	8,464	219,630
2017	30,683	22,996	7,687	196,634
2018	30,683	23,801	6,882	172,833
2019-2023	153,417	132,100	21,317	40,733
2024-2025	42,560	40,733	1,827	0
Totals	349,392	284,322	65,070	
<b>2004 Sales Tax Revenue Bonds (SRF, Drinking Water #2, EPA):</b>				
2014	21,151	14,113	7,038	202,447
2015	21,151	14,571	6,580	187,876
2016	21,151	15,045	6,106	172,831
2017	21,151	15,534	5,617	157,297
2018	21,151	16,039	5,112	141,258
2019-2023	105,754	88,359	17,395	52,899
2024-2025	98,190	52,899	45,291	0
Totals	309,699	216,560	93,139	
<b>2004 Special Assessment Bond:</b>				
2014	38,452	37,127	1,325	0
Totals	38,452	37,127	1,325	
<b>2006 Special Assessment Bond:</b>				
2014	16,364	14,379	1,985	30,870
2015	16,364	15,072	1,292	15,798
2016	16,364	15,798	566	0
Totals	49,092	45,249	3,843	
<b>2007 Special Assessment Bond:</b>				
2014	28,771	23,970	4,801	79,330
2015	28,771	25,167	3,604	54,163
2016	28,771	26,422	2,349	27,741
2017	28,771	27,741	1,030	0
Totals	115,084	103,300	11,784	
<b>2009 Special Assessment Bond:</b>				
2014	70,938	55,955	14,983	317,190
2015	70,938	58,313	12,625	258,877
2016	70,938	60,770	10,168	198,107
2017	70,938	63,330	7,608	134,777
2018	70,938	65,998	4,940	68,779
2019	70,938	68,779	2,159	0
Totals	425,628	373,145	52,483	
<b>2009 Financing (Capital Acquisition) Lease (Swimming Pool):</b>				
2014	126,965	95,911	31,054	501,052
2015	126,965	101,179	25,786	399,873
2016	126,965	106,675	20,290	293,198
2017	126,964	112,596	14,368	180,602
2018	126,965	118,780	8,185	61,822
2019	63,483	61,822	1,661	0
Totals	698,307	596,963	101,344	
<b>2013 Special Assessment Bond:</b>				
2014	31,247	21,750	9,497	218,250
2015	29,844	22,507	7,337	195,743
2016	29,844	23,290	6,554	172,453
2017	29,844	24,101	5,743	148,352
2018	29,844	24,940	4,904	123,412
2019-2023	134,299	123,412	10,887	0
Totals	284,922	240,000	44,922	

CITY OF GROTON

SUPPLEMENTARY INFORMATION -- SCHEDULE ONE (continued)  
 CHANGES IN LONG-TERM DEBT -- PAYMENT SCHEDULES  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2013

BUSINESS-TYPE	Total Payment	Principal	Interest	Balance
<b>1999 Revenue Bonds (SRF, Lagoon):</b>				
2014	38,417	30,186	8,231	137,795
2015	38,417	31,802	6,615	105,993
2016	38,417	33,505	4,912	72,488
2017	38,417	35,299	3,118	37,189
2018	38,417	27,709	10,708	9,480
2019	9,604	9,480	124	0
Totals	201,689	167,981	33,708	
<b>2003 Revenue Bonds (SRF, Clean Water):</b>				
2014	30,185	20,664	9,521	263,658
2015	30,184	21,397	8,787	242,261
2016	30,185	22,156	8,029	220,105
2017	30,184	22,942	7,242	197,163
2018	30,185	23,755	6,430	173,408
2019-2023	150,923	132,025	18,898	41,383
2024-2025	42,936	41,383	1,553	0
Totals	344,782	284,322	60,460	
<b>2008 Revenue Bonds (SRF, 2007 Flood):</b>				
2014	3,844	2,309	1,535	44,929
2015	3,844	2,384	1,460	42,545
2016	3,844	2,461	1,383	40,084
2017	3,844	2,541	1,303	37,543
2018	3,844	2,624	1,220	34,919
2019-2023	19,220	14,455	4,765	20,464
2024-2028	19,219	16,962	2,257	3,502
2029	3,616	3,502	114	0
Totals	61,275	47,238	14,037	
<b>2010 Clean Water Revenue Bond:</b>				
2014	11,940	6,998	4,942	160,333
2015	11,940	7,211	4,729	153,122
2016	11,940	7,430	4,510	145,692
2017	11,940	7,655	4,285	138,037
2018	11,940	7,887	4,053	130,150
2019-2023	59,701	43,174	16,527	86,976
2024-2028	59,701	50,133	9,568	36,843
2029-2032	38,806	36,843	1,963	0
Totals	217,908	167,331	50,577	
<b>2010 Sales Tax Revenue Bond:</b>				
2014	17,379	14,402	2,977	123,280
2015	17,379	14,729	2,650	108,551
2016	17,379	15,063	2,316	93,488
2017	17,379	15,405	1,974	78,083
2018	17,379	15,754	1,625	62,329
2019-2022	65,170	62,329	2,841	0
Totals	152,065	137,682	14,383	
<b>2011 Borrower Bond:</b>				
2014	27,903	22,994	4,909	203,762
2015	27,903	23,515	4,388	180,247
2016	27,903	24,049	3,854	156,198
2017	27,903	24,595	3,308	131,603
2018	27,903	25,153	2,750	106,450
2019-2022	111,611	106,450	5,161	0
Totals	251,126	226,756	24,370	
<b>2012 Financing (Capital Acquisition) Lease:</b>				
2014	61,928	55,115	6,813	176,383
2015	61,928	56,917	5,011	119,466
2016	61,929	58,768	3,161	60,698
2017	61,929	60,698	1,231	0
Totals	247,714	231,498	16,216	

CITY OF GROTON

SUPPLEMENTARY INFORMATION -- SCHEDULE TWO  
 APPLICABLE LOAN COVERAGE  
 FOR THE TWO YEARS ENDING DECEMBER 31, 2013

BUSINESS-TYPE	2013			2012		
	Remaining Balance 12-31-2013	Pledged Net Revenue (1)	Total Bond Payments	Remaining Balance 12-31-2012	Pledged Net Revenue (1)	Total Bond Payments
1999 Revenue Bonds (SRF, Lagoon):						
Original Loan Amount of \$465,454						
Maturing in January 2019						
Fixed interest at 5.25%						
Paid by the Sewer Fund	167,981		38,417	196,633		38,917
2003 Revenue Bonds (SRF, Clean Water):						
Original Loan Amount of \$432,847						
Maturing in January 2025						
Fixed interest at 3.5%						
Paid by the Sewer Fund	284,322		30,184	304,608		30,185
2008 Revenue Bonds (SRF, 2007 Flood):						
Original Loan Amount of \$56,368						
Maturing in July 2029						
Fixed interest at 3.25%						
Paid by the Sewer Fund	47,238		3,844	49,501		3,844
2010 Clean Water Revenue Bond:						
Original advance: \$310,913						
Principal forgiveness: \$131,827						
Maturing in January 2032						
Fixed interest at 3.0%						
Paid by the Sewer Fund	167,331		11,940	174,123		20,140
2010 Sales Tax Revenue Bond:						
Original advance: \$203,628 in 2011						
Principal forgiveness: \$50,907 in 2011						
Maturing in January 2022						
Fixed interest at 2.25%						
Paid by the Sewer Fund	137,682		17,379	151,764		9,212
2011 Borrower Bond:						
Original advance: \$249,240 in 2012						
Maturing in October 15, 2022						
Fixed interest at 2.25%						
Sewer lift station and force main						
Paid by the Sewer Fund	226,756		27,903	249,240		4,206
Total Sewer Fund	1,031,310	148,287	129,667	1,125,869	145,307	106,504
	=====	=====	=====	=====	=====	=====

(1) Net receipts is after normal operating, repair and maintenance costs, but before improvement costs.

REPORT ON  
COMPLIANCE AND OTHER MATTERS AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board  
City of Groton  
Groton, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Groton (City), Brown County, South Dakota, as of December 31, 2013 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated October 14, 2014 which was unmodified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Groton's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of current audit findings and responses as item 2013-01.

Management's response to the finding is described in the accompanying schedule of current audit findings and responses. I did not audit management's response and, accordingly, I express no opinion on it.

I did note other matters involving compliance that I reported to the governing body and management of the City of Groton in a separate Letter of Comments dated October 14, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Groton's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Groton's internal control.

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Groton's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

However, I did identify deficiencies in internal control over financial reporting, described in the accompanying schedule of current audit findings and responses as items 2013-01 and 2013-02, that I consider to be significant deficiencies in internal control over financial reporting.

Management responses to the findings identified in my audit are described in the accompanying schedule of current audit findings and responses. I did not audit the management responses and, accordingly, I express no opinion on them.

I did note other matters involving internal control over financial reporting that I reported to the governing body and management of the City of Groton in a separate Letter of Comments dated October 14, 2014.

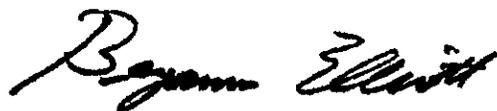
Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of City of Groton's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Groton's compliance and internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a mater of public record and its distribution is not limited.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

October 14, 2014



SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:  
Moot with respect to this audit.

Prior Other Audit Findings:  
2011-01: Interest of Local Officials -- Repeated below as 2013-01  
2009-04: Capital Assets Records -- Repeated below as 2013-02

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Independent Auditor's Results:

*Financial Statements*

Type of auditor's report issued: Unqualified on:  
Governmental Activities  
Business-Type Activities  
Major Funds  
Aggregate Remaining Funds

Noncompliance noted: See 2013-01 below

Internal control over financial reporting:  
\* Material weakness(es) identified? None Reported  
  
\* Significant deficiency(ies) identified that are not considered to be material weaknesses? See 2013-01 and 2013-02 below

Part II - Findings Relating to the Financial Statements:

Finding 2013-01: Interest of Local Officials  
(compliance and internal control)

*Criteria:*

SDCL 6-1-1 generally bars elected or appointed officers of local governments from being interested in any contract with their respective entities. Two exceptions to this rule are contracts involving \$5,000 or less (SDCL 6-1-2) and contracts where competitive bidding procedures are followed and where more than one such competitive bid is submitted (AGR 82-22) or if only one bid is submitted from an elected or appointed officer and procedures established in SDCL 6-1-2.1 are followed.

*Condition:*

In 2012 the City requested bids for gravel purchases of more than \$5,000 and only one bid was received from a member of the City Council. In 2013 the City requested bids for dozer dump services of more than \$5,000 and only one bid was received from a member of the City Council. These requests for bids were not posted to the Central Bid Exchange two weeks prior to their award to satisfy the procedures established by SDCL 6-1-2.1 for accepting a bid from a member of the City Council when only one bid is received.

*Questioned cost:*

None were identified regarding this finding.

*Possible effect:*

Interest of local officials in contracts with the cities they represent can lead to conflicts-of-interest not in the best interest of their city.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

*Recommendation:*

I recommend that procedures established in SDCL 6-1-2.1 be followed when it is expected that only one bid may be received from a member of the City Council.

*Management Response:*

The City agrees with this recommendation.

Finding 2013-02: Capital Asset Records  
(internal control)

*Criteria:*

Accounting standards established by SDCL 4-11-6 requires adequate records to support a city's capital assets, even if on the cash basis of accounting.

*Condition:*

The City does not have adequate capital asset records.

*Effect:*

Inadequate capital asset records can results in inaccurate financial reporting and, possibly, the misappropriation of funds.

*Recommendation:*

Management of the City should maintain adequate capital asset records.

*Management Response:*

The City is continuing to update its capital asset records.